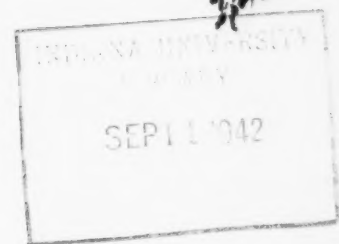


AUGUST, 1942



BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

Review of Seventh District Business

Although July is normally a slack month on the business calendar, with maintenance of equipment, vacations, and inventories taking precedence over production schedules, the pressure of war activity was felt throughout the Seventh Federal Reserve District. Employment, payrolls, and trade all moved contra-seasonally, either recording gains over the previous month or showing smaller declines than have occurred during July in previous years.

Continued increases in employment and payrolls of manufacturing industries were reported for the month. The 3 per cent gain in the number of workers employed was the most substantial recorded in any one month since June 1941, but the 2 per cent increase in the amount of wage payments was slightly lower than in either of the two immediately preceding months. The increases were contributed largely by the transportation equipment industries and the food products group. In the non-manufacturing industries, employment remained practically stationary during the month, gains in coal mining and construction industries being offset by losses in the merchandising group. Payrolls in the non-manufacturing groups advanced close to 2 per cent, which was slightly less than the gain in manufacturing industries.

Distribution of commodities to consumers declined less than seasonally. At department stores a 19 per cent decline in dollar volume of sales was the lowest July decrease reported in the last ten years. A 3 per cent increase in sales over July a year ago represents a net decline in the movement of physical volume, as prices were 14 per cent higher than last year. Open book or charge sales declined 28 per cent from the June volume, while instalment sales were down 10 per cent, and cash or C.O.D. sales were approximately 17 per cent lower. Stocks on hand at the end of July were 2 per cent lower than at the end of June, but 67 per cent higher than a year earlier.

Retail prices remained unchanged from the previous month. The all-commodity wholesale price index remained practically unchanged and stood at 99 per cent of the 1926 average.

Steel production by mills in the Chicago area fell off somewhat during the month. The indicated tonnage for July was 1,402,000 net tons, compared with 1,410,000 net tons for the preceding month. Such decreases can be expected at periodic intervals, as the extreme utilization of productive facilities places an extraordinary load upon equipment. There is a continuing threat of short-

ages of iron and steel scrap. During 1941, the steel industry throughout the country produced 82,839,000 tons of steel and consumed 45,600,000 tons of scrap, which was 10,000,000 tons more than ever consumed before in a single year. Thus far in 1942, steel production has been at the rate of more than 85,000,000 tons.

Notwithstanding salvage drives, it is estimated by the American Iron and Steel Institute that there may be as much as eight to ten million tons of iron and steel scrap lying dormant in homes, farms, and industrial plants throughout the country.

Crude oil production in the State of Illinois averaged 269,850 barrels a day during the four weeks ended August 15, 3 per cent lower than in the preceding four-week period and 24 per cent under the corresponding figure a year ago. Runs of crude oil to refineries within the Indiana-Illinois-Kentucky area, and production of gasoline increased slightly over the preceding month. There have been only minor changes in these items from a year ago. Stocks of gasoline declined during the month, whereas those of gas and fuel oil increased appreciably.

Bituminous coal production in this District remained approximately at the June level and continued heavier than a year ago, registering an increase of 10 per cent. Cumulative production for the first six months of this year was 23 per cent ahead of the comparable period a year ago. The increase in production in this District paralleled the increase nationally, as the country as a whole showed a July increase of 7 per cent and a cumulative six-month increase of 25 per cent. Stocks are increasing. Industrial users and dealers recorded supplies at the end of June of 70 per cent in excess of those a year ago. Stocks at Lake docks were approximately 40 per cent higher than the same period last year.

Construction contracts awarded in this District during the first seven months of this year are the largest recorded since 1929. Practically two-thirds of this year's contracts have been either for industrial plant expansion or for residential building. The \$680,000,000 total was one-fourth again as large as the corresponding figure last year. This increase may be ascribed to industrial plant awards, which also account for the increasing importance of Government financing, which has constituted three-fourths of the total awards so far this year, as against 40 per cent last year, and 30 per cent in 1940.

Residential building awards, however, were the lowest so far recorded, and were one-fifth below the June valuation, and three-fifths smaller than in July last year.

The Decline In Consumer Credit

Total consumer instalment paper held by banks in the Seventh Federal Reserve District has been declining rapidly since September of last year. The decrease in the volume of such paper, as indicated by 68 banks which report regularly, has amounted to 25 per cent during the first seven months of this year. Since January, when automobile sales were sharply curtailed, the decrease has been particularly rapid. The decline in outstanding automotive paper placed directly by the banks has amounted to 38 per cent. Purchased paper of this class has receded 32 per cent during the first seven months of this year. The continued reduction shown since December 1941, while most pronounced for automotive loans, has been almost as sharp for other paper secured by consumer durable goods. Personal cash instalment loans have shown the least reduction.

The decline in outstandings has resulted primarily from decreased sales of durable goods, but the Federal Reserve Board's Regulation W has also been a contribut-

CONSUMER INSTALMENT CREDIT OUTSTANDING (68 Banks in the Seventh District)

Type of Loan	(In Thousands of Dollars)	Per Cent Change July 31, 1942 from	
	July 31, 1942	June 30, 1942	Dec. 31, 1941
Automotive retail:			
Purchased.....	\$15,956	-8	-32
Direct.....	9,656	-7	-38
Other retail:			
Purchased and direct....	19,105	-8	-29
Repair and modernization..	14,832	*	-10
Personal instalment cash..	10,908	-3	-8
TOTAL.....	70,457	-6	-25

*Decrease of less than one per cent.

July, whereas the new loans of this classification totalled \$1,981,000 during June.

Repayments have been out-running new loans in the ratio of 1½ to 1. For every dollar of new automotive paper purchased by the reporting banks, \$1.95 was paid off during July. For other commodities the ratio of repayments to new loans was 1.93 to 1 during July. Personal cash instalment loans, which represent money borrowed for such things as the payment of personal debts, have not fallen as rapidly as other types of instalment credit. For every dollar of new loans made for this purpose, \$1.21 was paid off in July.

Repair and modernization loans made under the Federal Housing Act have declined 10 per cent in volume since December 31, 1941, and the ratio of payments to new loans was 1.04 in July of this year. In ordinary years there is a slight seasonal increase in cash lending in the late spring and early summer months. The slowing in the rate of decline during June of this year may reflect these seasonal influences.

CONSUMER INSTALMENT LOANS MADE (68 Banks in the Seventh District)

Type of Loan	(In Thousands of Dollars)		Per Cent Change July 1942 from June 1942
	June 1942	July 1942	
Automotive retail:			
Purchased.....	\$2,140	\$1,543	-28
Direct.....	1,059	1,038	-2
Other retail:			
Purchased and direct....	1,946	1,813	-7
Repair and modernization..	1,169	1,108	-5
Personal instalment cash....	1,981	1,672	-16
TOTAL.....	8,295	7,174	-14

ing factor. The Regulation, which became effective in September 1941, was further broadened in May this year and made more restrictive in its terms. Amendment 4 to the Regulation established twelve months as the maximum maturity on instalment loans.

New loans made by the reporting banks during July of this year have declined 14 per cent from June. Practically all of this contraction was in automotive paper. During June the volume of such loans made totalled \$3,199,000, and in July the new loans of this classification totalled only \$2,581,000. Loans for the purchase of durable goods other than automobiles amounted to \$1,946,000 in June and \$1,813,000 in July, or a decline of only 7 per cent. The volume of new loans for repair and modernization was off only 5 per cent. Activity in the personal cash instalment loans was less than seasonal and declined 16 per cent from the June volume. The reporting banks added \$1,672,000 of such loans during

CONSUMER INSTALMENT REPAYMENTS (68 Banks in the Seventh District)

Type of Loan	(In Thousands of Dollars)		Ratio of Repayments to New Loans During	
	June 1942	July 1942	June 1942	July 1942
Automotive retail:				
Purchased.....	\$4,248	\$3,007	1.98	1.95
Direct.....	2,202	1,769	2.08	1.70
Other retail:				
Purchased and direct....	3,561	3,498	1.83	1.93
Repair and modernization..	1,130	1,157	.97	1.04
Personal instalment cash..	2,021	2,031	1.02	1.21
TOTAL.....	13,162	11,462	1.59	1.60

Agricultural Production and Prices Rise

August 1 indications give promise of a banner year in crop production. Less promising appearances of a month earlier have been brightened by the heat and favorable growing conditions prevailing throughout most of the country during July. Pastures have turned out well under the adequate rainfall, and in spite of losses due to rain and labor shortages the hay crop promises so far to yield a record harvest. If all expectations are realized, 1942 will be the best grain year since 1920. The improvement in corn production prospects brought the indicated total up to 2,754 million bushels, of which 1,243 million bushels are accounted for by the five States of the Seventh District. A corn crop of this size, if realized, will be the largest since 1932. Small grains were to some extent affected by the wet weather in July, and Illinois and Indiana were among the States showing some harvesting losses during the month. Wheat production is indicated at 955 million bushels, with about 52 million bushels in the District States. The production of oats at present prospects threatens all records back to 1925, with 1,332 million bushels indicated, or a Seventh District total of 567 million bushels. The indicated total of 417 million bushels of barley is one-sixth larger than the 1941 record crop, while rye production of 60 million bushels as indicated August 1 would be the largest in over twenty years.

OIL OUTPUT EXPANDED

Production of oilseeds to replace former imports likewise appears to be satisfactory. A substantial crop of cottonseed about one-fifth above last year, a peanut crop nearly double that of 1941, about one-third more flaxseed, and three-fourths more soybeans all add up to a favorable oilseed situation. A total production of 186 million bushels of soybeans is indicated, approximately three-fourths of which would be in the Seventh District States.

Large though it is, the prospective output of feed grains is not expected to provide too much for the feed requirements of the nation's greatly expanded livestock industry. Heavy demand has shown in the Chicago price quotations on livestock. With ceilings at wholesale and retail on beef and pork, packers and processors have

been squeezed into a tight situation. Hogs hovered close to a \$15.00 top at Chicago through most of July and have been above a \$15.00 top through most of August, with a 22-year record reached on August 14 at \$15.30. The average price paid for hogs during July and early August was close to \$14.30 and ranged within 30 cents above and below that figure. The bulk of grain-fed beef steers ranged around \$13.10 for the first half of July, was up to around \$13.50 in the last half, and ranged around \$14.50 for most of August. Shortages of beef developed in some eastern markets during the month. Some of this is attributed to the buying for government account, but in general it is due to a temporary curtailment of supplies, with demand exceeding supply at fixed prices.

PORK CEILINGS A SORE SPOT

Pork price ceilings continue to press packers into the position where a number are planning to discontinue operations unless some relief of a substantial kind is forthcoming. The Secretary of Agriculture recently announced a three-point program aimed at relieving some of the distress to small packers. These packers were to be offered government contracts to slaughter on a custom basis. Also, the differentials paid on government contracts for dressed and processed meats were to be adjusted on a regional basis by lowering the premium in areas where small packers were finding it most difficult to compete for slaughter animals. Maximum prices for lend-lease purchases were to be lowered. Affected packers maintain that little or no relief is afforded by these measures. They presumably applied only to packers killing under federal inspection, and therefore were of no help to intra-state packers, although these packers are now eligible for Federal inspection under provisions of a bill signed on June 10. OPA Administrator Henderson is reported to have asked Secretary Wickard for authority to impose ceilings on live hog prices. The Secretary in a radio address indicated his consent would be given if a satisfactory plan for allocating supplies were shown him. The Secretary has pointed out the difficulties and problems that would be raised by such a move. Grading of the live animal would be necessary, a complicated

and relatively undeveloped business. With effective price ceilings some basis would be necessary for allocating animals to packers, and this would mean telling the farmer where and when he can sell. Price differentials between markets would also have to be worked out to make allowance for differences in transportation and handling costs. OPA argument is to the effect that fixing a ceiling would discourage farmers from holding for higher prices and release stock now held back.

OPA announced on August 27 that a definite price ceiling on live hogs was in preparation and that similar action, in the near future, with respect to beef cattle was under consideration. The agency at the same time announced that ceilings on wholesale meat prices would be adjusted to put them on a zone basis, with differentials only for such items as transportation costs from the zone basing points.

HEAVY FALL MARKETING OF HOGS IN PROSPECT

Agricultural officials and packers alike appear to be agreed that there will be a tremendous volume coming to market in December and January unless something specific is done to obtain a better distribution of receipts than is afforded by the usual December-January peak of marketings. Grave doubt is expressed that transportation and processing facilities will permit the proper handling of all that are expected to come to market. On the packing side the critical item is believed to be cooler and freezer storage space, and possibly labor. Governmental leaders are urging farmers to market such hogs as they can push along to early finish before Thanksgiving and to carry over beyond February 1 those which can be carried. In view of the need for fat and the favorable feeding ratio, it is not probable that many will be marketed in advance, but there appears to be a fifty-fifty chance that prices during the peak season for marketings may be at such a level that delaying deliveries will prove profitable for those who can and will market later than the peak.

BEEF FATTENING PROSPECT

Indications are that substantially less grain fattening of steers will take place this year than last. Feeders are faced with the prospect of much narrower spread between thin stock costs and prices expected as the net

return under beef ceilings. They ask a ceiling on feeders and stockers in order to get the price down from the recent high levels set in part by brisk demand for feeder animals from slaughterers. But arguments on the other side run to the effect that hogs will produce meat and fat much more efficiently with what is expected to be a relatively short feed supply, and that cattle numbers are already built up to a dangerous level and should wisely be reduced now.

DAIRY OUTPUT AND PRICES RISE

Milk production in July established a record for the month. Most of the 5 per cent increase over a year ago was due to the larger number of milk cows, but there was a small increase in the milk per cow, and with pasture and temperature conditions relatively favorable throughout most of the country, the output per cow declined less than the usual seasonal amount. In order to secure certain shifts in utilization, changes in pegged prices were announced by governmental agencies in mid-July which put 92-score butter at Chicago at 39 cents, raised powdered skim milk prices but lowered prices on evaporated milk and cheese. Chicago prices of 92-score butter have been above 40 cents during most of August. To meet the effect of these changes on market milk prices for the Chicago market, a hearing was held by the Department of Agriculture in Chicago on August 14 and 15, to take testimony offered relative to recommendations to change the basis of calculating the settlement price under the Federal Milk Marketing Order, so as to offset the lowered price to producers resulting from lower evaporated milk prices.

PRICE INDEX AND PARITY RATIO RISE

The index of prices received by farmers stood at 163 (1909-1914 = 100) as of August 15. Prices paid by farmers for commodities and services used in living and production showed an index of 152 on the same base. Prices received by farmers now appear to be advancing somewhat faster than prices paid. Taking all prices into consideration, farm product prices as a whole were 107 per cent of parity on August 15, as compared with 101 per cent for July 15 and 100 per cent in August 1941.

Secretary Wickard, in his radio address on August 19, advocated repeal of the provision in the Price Control Act limiting price ceilings on agricultural products to not less than 110 per cent of parity.

Retail Trade Reflects Business Activity

The rise in the level of business activity in the Seventh Federal Reserve District held July department-store sales to the smallest recorded seasonal decline in that month and brought about a 3 per cent increase over the heavy July sales volume of last year. This small gain is particularly significant when one remembers that July last year registered an increase of 24 per cent over the same month in 1940, the largest increase in the year-to-year comparison recorded since the beginning of the upward movement in March 1939.

The present level of dollar volume of department store sales is therefore well above other recent years despite the conservative buying, increased savings, restricted credit, and a diminishing supply of certain goods. The physical volume of sales is somewhat below last year, however, as over the year period prices have risen by about 15 per cent.

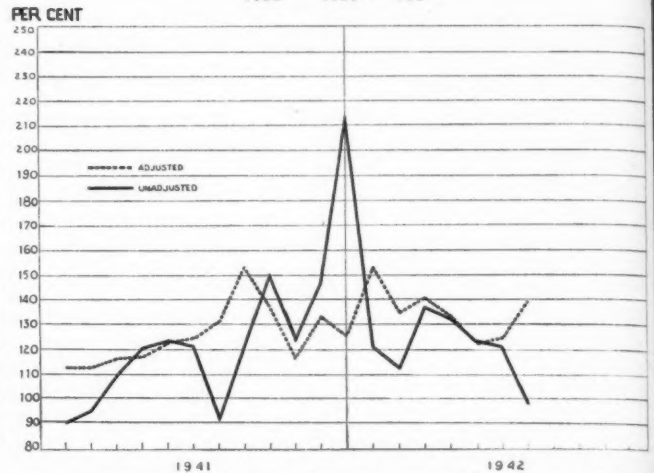
Sales for the District as a whole declined 19 per cent from the June level, but as this recession is less than seasonal, the adjusted index rose from 127 to 139. All of the principal cities of the District reported declines from the June level. Chicago registered a drop of 25 per cent. Flint, Michigan, reported sales decreases of 23 per cent. Des Moines, Iowa, and Lansing, Michigan, were each 22 per cent under their June sales volume. The smallest decline was recorded in Fort Wayne, Indiana, where sales were off 12 per cent.

Reports from various trading centers indicate that travel curtailment is making inroads into shopper attendance at large city stores. The loss of customers to the armed services and uncertainty over the draft are regarded by merchants as adverse factors, particularly in certain lines of merchandise. Shortages and rationing restrictions accounted for some of the unfavorable sales comparisons.

It is believed in some quarters that the control of consumer credit has had a dampening effect on open book and instalment sales. The former showed a decline of 6 per cent from a year ago, whereas the latter was off 34 per cent. Restrictions on instalment buying have been operating since September 1941, but the freezing of open book accounts did not become effective until July 10 of this year. A survey of leading department stores in Detroit and Chicago indicated that approximately 19 per cent of all open book accounts were frozen. The heavy payments following July 10 reduced the number of such frozen accounts and affected the collection ratios very favorably. In July a year ago, the ratio of collections to open book accounts was 54 per cent, whereas in July of this year the ratio was 68 per cent. Collections against instalment accounts also increased, rising from 21 per cent in July 1941 to 28 per cent in July 1942.

The best response to promotional sales efforts which came earlier this year occurred in war production centers. Merchants in those areas reported the larger gains over

Department Store Sales in Seventh District
1935 — 1939 = 100



a year ago. Sales in Fort Wayne were 20 per cent above a year ago, whereas in Milwaukee, Detroit, and Indianapolis they were each 11 per cent. With the additional exception of Peoria, Illinois, and Sioux City, Iowa, all other cities showed a decline. Generally, emphasis was placed on medium to better-priced goods with extremely higher or low-priced merchandise remaining relatively quiet.

Most retailers continued to experience an increase in cash buying, along with a decrease in instalment and charge account trade. Cash sales in Fort Wayne increased 64 per cent over a year ago, a percentage substantially higher than in any of the other large cities in the District. Indianapolis showed an increase of 41 per cent, followed by Detroit with 35, Milwaukee with 34, and Chicago with 16.

Sales of miscellaneous lines at retail were lower than a year ago in the States in the Seventh District. Michigan and Iowa showed declines of 8 per cent, Wisconsin and Illinois 3 per cent, and Indiana 1 per cent. As might be expected, the largest decline was among motor vehicle dealers, where sales were off 77 per cent in Illinois, 71 per cent in Michigan, 66 per cent in Indiana, 65 per cent in Wisconsin, and 64 per cent in Iowa. The furniture-household-radio group suffered declines, ranging from 20 per cent in Indiana to 31 per cent in Michigan. Sales of lumber and building materials were also under those of July a year ago, with the decline in this group ranging from 3 per cent in Indiana to 20 per cent in Iowa. With the exception of hardware, in which there was a gain in Indiana and a loss in the other four States, all other reporting groups showed increases. For the most part, however, the increases in dollar volume of sales reflected only a higher price level.

The expansion in fall buying in wholesale markets stemmed from increased attendance rather than from liberal ordering. Total sales for the District moved up slightly when compared with a year ago and with June

of this year. The gain from year-ago figures has receded from 38 per cent in January to 4 per cent in July. There is some indication that the slowing down in retail activity and the desire to work off inventory accumulations have been the most important factors causing the cautious buying in recent months. Retailers appear to be relying upon reorders after consumer response has been determined.

The largest increase occurred in the meat and meat products group, which reported a gain of 58 per cent over a year ago. Tobacco and tobacco products reported an increase of 17 per cent, jewelry 14 per cent, and groceries 10 per cent. The largest decline occurred in electrical goods, of which there is a dwindling supply.

While wholesalers' collections have been heavy each

month throughout the current year, they have shown a downward movement in the gains over a year ago similar to that in evidence in total sales. In January of this year collections were running 34 per cent ahead of the corresponding month in 1941, and in February they were as high as 43 per cent. There has been a tapering off during the spring and summer. In July collections were only 12 per cent ahead of a year ago. This decline can be accounted for in part by the shrinkage in the volume of accounts receivable.

Accounts outstanding, after showing no percentage change from a year ago during June, turned downward 10 per cent during July. The high point was reached in February when accounts receivable were 22 per cent ahead of a year ago.

DEPARTMENT STORE SALES AND STOCKS BY DEPARTMENTS

DEPARTMENT STORE SALES AND STOCKS BY DEPARTMENTS											
Departments	Per Cent Change July 1942 Compared with July 1941										
	SALES						STOCKS				
	CHICAGO	INDIANAPOLIS	DETROIT	MILWAUKEE	OTHER CITIES	7TH DISTRICT	CHICAGO	DETROIT	MILWAUKEE	OTHER CITIES	7TH DISTRICT
10. PIECE GOODS—Total.....	+ 5	+28	+32	+ 8	+20	+14	+61	+84	+72	+57	+63
11, 12, 13. Yard Goods, all materials.....	+30	+54	+62	+54	+52	+44	+59	+85	+60	+40	+60
14, 19. Linens and Towels.....	*	+23	+25	- 3	+ 4	+ 7	+60	+67	+79	+49	+57
15. Domestic—Muslins, Sheetings, etc.....	-10	+ 8	+13	- 8	+12	- 2	+59	+98	+91	+92	+70
18. Blankets, Comforters, Spreads.....	+ 1	..	..	-11	+ 9	+ 5	+69	..	+67	+86	+71
30. READY-TO-WEAR ACCESSORIES—Total.....	+12	+39	+30	+26	+24	+21	+65	+67	+87	+49	+66
31. Neckwear and Scarfs.....	+24	+30	+33	+54	+17	+29	+33	+55	+44	+27	+38
33. Handkerchiefs.....	+11	+26	+28	*	+11	+14	+57	+107	+109	+60	+68
34. Millinery.....	+ 3	+21	+13	+13	+22	+ 9	-16	- 9	..	+ 5	- 9
35. Gloves.....	+ 9	+26	+ 9	+ 8	+ 8	+ 9	+53	+36	+33	+31	+45
36. Corsets and Brassieres.....	- 6	+16	+22	+22	+11	+ 8	+83	+71	+138	+55	+89
37-C, W. Hosiery (Women's and Children's).....	- 2	+53	+31	+19	+35	+17	+188	+62	+174	+90	+152
38, 39, 42. Women's Underwear, Slips, Negligees.....	+ 3	+26	+25	+19	+13	+12	+84	+105	+67	+51	+81
43. Infants' Wear.....	+37	+57	+36	+42	+41	+40	+60	+39	+68	+61	+60
46. Handbags and Small Leather Goods.....	+22	+28	+42	+31	+20	+27	+129	+115	+114	+ 80	+117
47. Women's Shoes.....	+27	+58	+36	+35	+24	+32	+25	+32	+65	+15	+32
48. Children's Shoes.....	+20	+29	+40	+44	+26	+28	+40	+16	+109	+23	+42
50. WOMEN'S AND MISSES' READY-TO-WEAR—Total.....	- 3	+14	+21	+12	+15	+ 8	+48	+47	+67	+59	+52
51. Women's and Misses' Coats and Suits.....	- 8	+32	+37	+18	+95	+11	+112	+88	+190	+141	+116
53. Women's and Misses' Dresses.....	+12	+26	+25	+31	+25	+19	+16	+ 6	+ 8	+13	+12
54. Blouses, Skirts, Sportswear.....	+ 2	+25	+12	+ 7	+10	+ 8	+69	+88	+65	+97	+81
55. Juniors' Coats, Suits, Dresses.....	- 1	+32	+39	+43	+49	+22	+42	+72	+74	+62	+58
56. Girls' Wear.....	+17	+67	+54	+46	+56	+33	+64	+79	+62	+92	+70
57. Aprons, Housedresses, Uniforms.....	+ 1	+15	+25	+ 1	+10	+ 8	+39	-22	+25	+48	+31
59. Furs.....	-53	-63	-14	-40	-53	-44	+11	+22	+10	+ 3	+11
60. MEN'S AND BOYS' WEAR—Total.....	- 6	+ 5	+11	- 1	+ 6	- 2	+64	+48	+53	+61	+61
61. Men's Clothing.....	- 7	..	-12	-10	-12	- 8	+54	+74	+43	+60	+55
62. Men's Furnishings.....	- 9	+ 9	+22	- 2	+12	- 1	+94	+43	+52	+64	+81
65. Men's Hats and Caps.....	- 4	..	- 3	+33	+10	+ 1	+14	..	+34	+79	+22
66. Boys' Clothing and Furnishings.....	+ 7	+29	+38	+37	+24	+18	+80	+22	+78	+57	+71
67-M, B. Men's and Boys' Shoes.....	+ 1	..	+29	-14	+14	+ 4	+19	+28	+52	+57	+25
70. HOUSEFURNISHINGS—Total.....	- 4	- 2	*	+ 1	-17	- 4	+61	+67	+85	+35	+60
71. Furniture, Beds, Mattresses, Springs.....	- 1	..	+ 8	+ 1	-10	+ 1	+46	+50	+57	+41	+47
72. Oriental Rugs.....	-12	..	..	..	..	-11	+35	..	..	..	+39
73. Domestic Floor Coverings.....	-10	+11	+11	- 5	-19	- 6	+87	+98	+108	+38	+81
74. Draperies, Curtains, Upholstery.....	+14	+26	+21	+17	+ 6	+15	+51	+58	+56	+34	+50
75. Lamps and Shades.....	+16	+18	+27	+ 6	+10	+17	+112	+67	+137	+42	+93
76. China and Glassware.....	- 3	..	+14	-10	- 6	**	+33	+26	+25	+25	+30
77-R, O. Major Household Appliances.....	-59	-38	..	-55	-66	-57	- 2	..	+ 5	-23	- 4
78. Housewares.....	+ 3	+19	+ 6	+19	- 3	+ 6	+79	..	+99	+62	+79
81. Pictures and Mirrors.....	+ 1	..	+36	+49	+25	+18	+48	+18	+42	..	+38
82, 83, 84, 85. Musical Instruments, Radios, Phonographs.....	+19	+12	..	+27	-39	+ 9	+237	..	+471	+140	+253

*Increase of less than one per cent.

**Decrease of less than one per cent

RECEIPTS AND SHIPMENTS OF GRAIN At Interior Primary Markets in the United States (In thousands of bushels)					
	July 1942	July 1941	Per Cent Change July 1942 from July 1941	Ten-Year Average July 1932-1941	Per Cent Change July 1942 from Ten-Year Average
WHEAT					
Receipts.....	60,425	102,722	-41.2	76,321	-20.8
Shipments.....	25,479	31,271	-18.5	24,076	+ 5.8
CORN:					
Receipts.....	22,912	22,049	+ 3.9	19,932	+15.0
Shipments.....	19,566	22,795	-14.2	14,491	+35.0
OATS:					
Receipts.....	6,369	10,662	-40.3	8,889	-28.4
Shipments.....	4,452	4,614	- 3.5	4,612	- 3.5
SOYBEANS:					
Receipts.....	1,025	965	+ 6.2	•	•
Shipments.....	449	1,201	-62.6	•	•

Source: Chicago Board of Trade.
 *Not available.

HOG-CORN RATIOS				
	July 1942	June 1942	July 1941	July 1940
Illinois.....	17.3	17.2	15.5	10.1
Indiana.....	17.2	16.8	14.8	10.1
Iowa.....	18.3	18.1	16.8	10.5
Michigan.....	15.8	16.0	14.3	9.8
Wisconsin.....	16.1	16.2	15.0	9.2
United States.....	16.6	16.3	14.8	9.3

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

UNITED STATES FEDERALLY INSPECTED LIVESTOCK SLAUGHTER (In thousands)					
	July 1942	July 1941	Five-Year Average July 1937-41	Per Cent Change July 1941 to July 1942	Per Cent Change July 1942 from Five-Year Average
Hogs.....	3,886	3,006	2,580	+29	+51
Cattle.....	1,048	968	836	+ 8	+25
Calves.....	461	445	455	+ 4	+ 1
Lams and Sheep.....	1,705	1,569	1,453	+ 9	+17

Source: Agricultural Marketing Administration, United States Department of Agriculture.

SALES OF INDEPENDENT RETAIL STORES Seventh Federal Reserve District					
	Per Cent Change July 1941 to July 1942				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	- 3	- 1	- 8	- 8	- 3
Apparel Group.....	+ 7	+19	+15	+20	+19
Drug Stores.....	+16	+18	+16	+16	+14
Eating and Drinking Places.....	+21	+16	+ 8	+23	+17
Food Group.....	+18	+29	+13	+20	+18
Furniture-Household-Radio Group.....	-24	-20	-25	-31	-21
Hardware Stores.....	- 4	+ 3	- 8	- 6	- 7
Jewelry Stores.....	+15	+20	+15	+ 2	+21
Lumber and Building Materials.....	-17	- 3	-20	-18	-15
Motor Vehicle Dealers..	-77	-66	-64	-71	-65

*Includes classifications other than those listed.

WHOLESALE TRADE Seventh Federal Reserve District				
Commodity	Per Cent Change July 1941 to July 1942			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+ 9	+ 3	+ 3	+20
Electrical Goods.....	-36	-22	-23	-25
Groceries.....	+10	•	-11	+11
Hardware.....	- 5	-16	- 6	+14
Jewelry.....	+14	+ 1	-31	+10
Meats and Meat Products.....	+58	-13	+17	+57
Paper and Its Products.....	-23	+29	-10	- 8
Tobacco and Its Products.....	+17	+35	+11	+24
Miscellaneous.....	- 1	+10	-14	+ 1
Total.....	+ 4	- 5	-10	+12

Source: Bureau of the Census, United States Department of Commerce.
 *Increase of less than one per cent.

BUILDING CONTRACTS AWARDED Seventh Federal Reserve District		
	Total Contracts	Residential Contracts
July 1942.....	\$121,296,000	\$13,933,000
Change from June 1942.....	- 7%	-20%
Change from July 1941.....	+27%	-61%
First seven months of 1942.....	\$680,081,000	\$182,813,000
Change from same period of 1941.....	+25%	-11%

Source: F. W. Dodge Corporation.

DEPARTMENT AND APPAREL STORE TRADE										
Seventh Federal Reserve District										
Locality	Total Net Sales			Per Cent Change July 1942 from July 1941			Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change July 1942 from		Per Cent Change January through July 1942 from January through July 1941	Open Book Sales	Instal- ment Sales	Cash and C.O.D. Sales	Per Cent Change July 1942 from		Per Cent Change July 1942 from	
	June 1942	July 1941					June 1942	July 1941	June 1942	July 1941
Chicago.....	-25.3	- 0.5	+ 8.1	-11.1	-23.8	+16.2	- 0.1	+75.2	-11.8	-38.7
Peoria.....	-14.7	+ 1.4	+ 4.8							
Fort Wayne.....	-11.6	+19.5	+22.8	+ 4.6		+63.8	- 6.3	+59.2		
Indianapolis.....	-15.5	+11.1	+16.9	+ 2.8	-41.8	+41.4	+ 0.5	+61.0	+ 7.8	-25.7
Des Moines.....	-21.4	- 0.1	+ 7.4							
Sioux City.....	-16.2	+ 2.5	+ 4.1							
Detroit.....	-15.4	+11.0	+18.0	+ 0.3	-31.4	+34.8	- 8.6	+56.5	+ 1.8	+30.0
Flint.....	-22.6	-16.4	-10.5							
Grand Rapids.....	-19.4	- 5.7	+ 3.7							
Lansing.....	-21.6	- 0.8	+ 4.8							
Milwaukee.....	-14.4	+11.3	+17.0	- 3.1	-39.8	+33.7	+ 2.0	+74.8	+ 4.2	-11.7
Other Cities.....	-14.8	- 2.7	+ 6.1	- 5.0	-49.1	+22.7	- 2.4	+44.0	+18.8	- 1.1
District total...	-19.3	+ 3.3	+11.0	- 5.5	-33.6	+25.2	- 1.8	+67.2	- 1.7	- 1.4
Apparel stores..	-22.0	+ 3.5	+17.1	-16.5	-31.0	+27.2	- 0.9	+62.4	+42.0	-23.4

EMPLOYMENT AND PAYROLLS Seventh Federal Reserve District

Industrial Group	Week of July 15, 1942			Per Cent Change from June 15, 1942	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
DURABLE GOODS:					
Metals and Products ¹					
Transportation.....	1,978	637,253	27,239	+ 1.3	- 0.2
Equipment.....	413	426,138	22,453	+ 6.3	+ 6.1
Stone, Clay, and Glass	298	27,996	1,893	- 3.1	- 5.4
Wood Products.....	479	62,548	1,815	- 1.1	*
Total.....	3,168	1,153,935	52,400	+ 2.9	+ 2.3
NON-DURABLE GOODS:					
Textiles and Products	454	79,201	1,907	- 0.2	- 0.6
Food and Products.....	1,106	178,546	5,582	+10.8	+ 7.7
Chemical Products.....	335	46,604	1,784	- 0.6	- 0.5
Leather Products.....	183	35,883	978	- 0.3	- 2.2
Rubber Products.....	39	14,329	576	+ 6.4	+ 9.9
Paper and Printing.....	724	86,874	2,894	+ 1.5	+ 1.3
Total.....	2,841	441,437	13,721	+ 4.5	+ 3.4
Total Mfg., 10 Groups..	6,009	1,595,372	66,121	+ 3.3	+ 2.5
Merchandising.....	4,671	142,038	3,635	- 3.2	- 1.9
Public Utilities.....	1,151	117,438	4,319	- 0.3	*
Coal Mining.....	6,944	20,215	971	+ 7.6	+ 6.9
Construction.....	706	20,215	971	+23.0	+30.5
Total Non-Mfg., 4 Grps.	6,573	286,655	9,141	- 0.2	+ 1.9
Total, 14 Groups.....	12,582	1,882,027	75,262	+ 2.8	+ 2.4

¹Other than transportation equipment. *Increase of less than one per cent.
Data furnished by State agencies of Ill., Ind., Ia, Mich, and Wis.

WHOLESALE PRICES

	Indexes—July 1942 (1926=100)	Per Cent Change from	
		June 1942	July 1941
All Commodities.....	98.7	+ 0.1	+11.1
Farm Products.....	105.3	+ 0.9	+22.7
Food.....	99.2	- 0.1	+17.1
All Other.....	95.7	+ 0.1	+ 6.7

Source: Bureau of Labor Statistics.

MONTHLY BUSINESS INDEXES

Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100	July 1942	June 1942	May 1942	July 1941	June 1941	May 1941
MANUFACTURING INDUSTRIES:						
Durable Goods:						
Employment.....	150	146	144	155	155	144
Payrolls.....	216	213	207	179	188	184
Non-Durable Goods:						
Employment.....	120	115	113	121	114	108
Payrolls.....	150	145	142	134	128	124
Total:						
Employment.....	140	136	134	143	141	132
Payrolls.....	195	192	187	165	170	166
FURNITURE MANUFACTURING:						
Orders in Dollars.....	196	180	183	257	196	248
Shipments in Dollars.....	162	179	185	168	170	168
PAPER MANUFACTURING:*						
Tonnage Production.....	110	116	127	132	135	130
PETROLEUM REFINING—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Stills.....	170	162	169	163	162	162
Gasoline Production.....	142	135	139	156	155	150
BITUMINOUS COAL PRODUCTION:*						
Illinois, Indiana, Iowa, and Michigan.....	122	121	126	112	103	102
BUILDING CONTRACTS AWARDED:						
Residential.....	121	150	165	307	308	285
Total.....	308	331	250	243	186	194
DEPARTMENT STORE NET SALES:*						
Chicago.....	87	114	113	87	121	117
Detroit.....	109	130	139	97	124	132
Indianapolis.....	119	138	142	106	128	138
Milwaukee.....	111	128	131	99	127	128
Other Cities.....	98	120	128	92	120	128
Seventh District—Unadjusted.....	97	121	124	92	121	124
Adjusted.....	139	125	123	131	124	123

*Daily average basis.

COST OF LIVING

Indexes of the Cost of Goods Purchased by Wage Earners and Lower-Salaried Workers by Groups of Items
July 15, 1942
(1935-1939 average=100)

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Chicago.....	116.1	123.1	120.8	112.7	103.5	119.7	110.3
Detroit.....	117.8	125.0	125.5	111.0	106.9	121.0	113.2
Average:							
Large Cities	116.9	124.6	125.3	107.7	106.3	122.4	111.0
Percentage Changes from July 15, 1941 to July 15, 1942							
Chicago.....	+ 9.6	+14.5	+20.0	+ 2.0	+ 1.8	+13.5	+ 6.8
Detroit.....	+10.1	+16.5	+19.5	- 1.0	+ 4.6	+11.0	+ 7.9
Average:							
Large Cities	+11.1	+16.8	+20.2	+ 1.5	+ 3.9	+14.2	+ 7.0

Source: Bureau of Labor Statistics.

BANK DEBITS

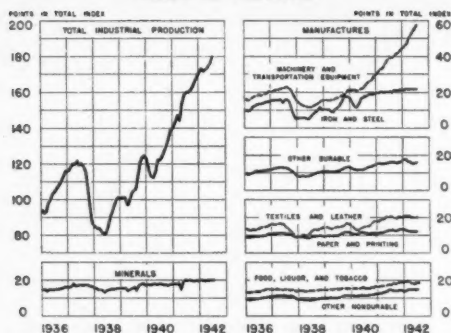
Debits to deposit accounts, except interbank accounts

	(In thousands of dollars)			Per Cent Change July 1942 from	
	July 1942	June 1942	July 1941	June 1942	July 1941
ILLINOIS:					
Aurora.....	\$ 15,898	\$ 17,387	\$ 14,731	- 9	+ 8
Bloomington.....	16,533	18,854	14,321	-12	+15
Champaign-Urbana.....	17,260	18,136	16,229	- 5	+ 6
Chicago.....	4,212,352	4,332,095	3,638,292	- 3	+16
Danville.....	13,494	15,618	12,156	-14	+11
Decatur.....	31,188	30,474	26,476	+ 2	+18
Elgin.....	11,113	11,387	10,000	- 2	+11
†Joliet.....	32,487	34,204	.....	- 5	.....
Moline.....	12,531	12,908	11,311	- 3	+11
Peoria.....	82,628	81,190	78,879	+ 2	+ 5
Rockford.....	50,053	48,416	42,642	+ 3	+17
Springfield.....	34,516	36,059	29,458	- 4	+17
INDIANA:					
Fort Wayne.....	56,496	53,087	44,009	+ 6	+28
Gary.....	27,220	25,250	24,311	+ 8	+12
Hammond.....	12,734	13,225	12,500	- 4	+ 2
Indianapolis.....	365,668	340,460	298,765	+ 7	+22
†Lafayette.....	13,823	15,194	.....	- 9	.....
†Muncie.....	21,400	20,477	.....	+ 5	.....
South Bend.....	61,091	61,799	57,681	- 1	+ 6
Terre Haute.....	34,043	32,393	30,609	+ 5	+11
IOWA:					
†Burlington.....	12,490	12,867	.....	- 3	.....
Cedar Rapids.....	37,658	37,317	31,396	+ 1	+20
Clinton.....	8,332	8,698	7,615	- 4	+ 9
Davenport.....	29,151	27,722	27,240	+ 5	+ 7
Des Moines.....	126,333	123,037	105,675	+ 3	+20
Dubuque.....	12,585	12,956	12,589	- 3	.....
Mason City.....	13,762	12,880	12,771	+ 7	+ 8
Muscatine.....	5,080	4,877	4,370	+ 4	+16
†Ottumwa.....	16,575	17,261	.....	- 4	.....
Sioux City.....	70,261	74,837	52,921	- 6	+33
Waterloo.....	28,213	29,221	23,706	- 3	+19
MICHIGAN:					
Adrian.....	6,071	6,332	5,606	- 4	+ 8
Battle Creek.....	21,526	20,331	17,907	+ 6	+20
Bay City.....	17,642	18,410	15,150	- 4	+16
Detroit.....	1,791,523	1,639,757	1,480,969	+ 9	+21
Flint.....	38,389	37,734	35,873	+ 2	+ 7
Grand Rapids.....	75,956	76,142	73,229	*	+ 4
Jackson.....	26,274	23,679	21,369	-11	+23
Kalamazoo.....	30,710	34,451	31,620	-11	- 3
Lansing.....	45,375	40,411	33,834	+12	+34
†Muskegon.....	30,003	27,558	.....	- 2	.....
†Port Huron.....	13,361	13,671	.....	+ 9	.....
Saginaw.....	33,323	30,797	31,985	+ 8	+ 4
WISCONSIN:					
Green Bay.....	21,768	22,024	20,904	- 1	+ 4
†Madison.....	50,520	46,067	.....	+10	.....
Manitowoc.....	12,601	11,581	10,003	+ 9	+26
Milwaukee.....	408,345	425,251	338,319	- 4	+21
Oshkosh.....	12,819	12,180	11,712	+ 5	+ 9
†Racine.....	27,773	26,334	.....	+ 5	.....
Sheboygan.....	31,083	31,440	23,979	- 1	+30
TOTAL 41 CENTERS	7,959,598	7,910,803	6,793,112	+ 1	+17
TOTAL 50 CENTERS	8,538,370	8,485,462	.....	+ 1	.....
UNITED STATES:					
274 Centers.....	50,131,000	50,110,000	44,804,000	**	+12

†New reporting centers for which figures were not collected before May 1942.

*Decrease of less than one per cent. **Increase of less than one per cent.

INDUSTRIAL PRODUCTION



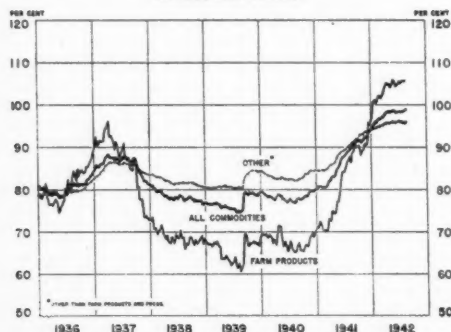
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for July, 1942.

DEPARTMENT STORE SALES AND STOCKS



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for July, 1942.

WHOLESALE PRICES



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending August 15, 1942.

MEMBER BANK RESERVES



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for August 12, 1942.

National Summary of Business Conditions

(By the Board of Governors of the Federal Reserve System)

Industrial activity increased further in July and the first half of August, reflecting continued growth in output of military products. Retail sales increased during this period, following a decline, on a seasonally adjusted basis, during the first half of the year.

Production—Industrial output rose further in July and the Board's seasonally adjusted index advanced from 176 to 180 per cent of the 1935-39 average.

Activity continued to increase in the machinery and transportation equipment industries and in other lines producing war products. Shipbuilding expanded further and 71 merchant vessels were delivered in July. These had an aggregate deadweight tonnage of 790,300 tons—an all-time record for a single month's deliveries. In the automobile industry armament production increased in July to an annual rate of about \$5 billion as compared with a peak year's civilian output of \$4 billion. Iron ore shipments down the Great Lakes reached a new record of 13.4 million gross tons in July and plans were announced for improving rail and harbor facilities so that shipments next season could exceed considerably prospective shipments of 90 million tons or more this year. Last season 80 million tons were shipped.

In most other lines of manufacturing and mining, activity in July was maintained at about the levels prevailing in June. There were reports that some plants were forced to curtail operations owing to lack of certain materials, and further investigations were undertaken to determine present and prospective availability of material supplies.

Value of construction contracts awarded in July showed a reduction of about 20 per cent from the record level reached in June, according to figures of the F. W. Dodge Corporation. Declines were reported for most types of construction; awards for manufacturing buildings, however, increased further and constituted about one-third of total contracts let. As in June, publicly-financed work amounted to over 90 per cent of the total. In the first seven months of this year, awards were about 50 per cent larger than in the corresponding period last year.

Distribution—Distribution of commodities to consumers declined less than seasonally in July. The Board's adjusted index of department store sales, which had dropped from a peak of 138 per cent of the 1923-25 average in January to 104 in June, rose to 117 and sales by variety stores and mail-order houses also advanced, after allowance for usual seasonal changes. In the first half of August department store sales increased by more than the usual seasonal amount.

Railroad freight-car loadings increased more than seasonally in July and rose somewhat further in the first half of August. Shipments of miscellaneous merchandise, which include most manufactured products, and of forest products continued to rise. Grain shipments also increased but the rise was less than is usual at this time of year. Loadings of coal declined somewhat from the high level of other recent months.

Commodity Prices—Wholesale and retail food prices advanced further in July and the early part of August, while prices of petroleum products on the East Coast were reduced, and those for most other consumer goods continued to show little change. In raw material markets price declines occurred for cotton, inedible fats and oils, and some scrap items, particularly nonferrous metals and paper. Demand for materials used more exclusively for war products continued strong and prices of these materials were sustained at ceiling levels.

Federal subsidies were arranged for additional commodities and Government war risk rates on shipments of imported commodities were reduced. These actions were taken to bring about price reductions, as in the case of petroleum products on the East Coast, and to prevent further price increases, particularly for imported commodities. About 30 new maximum price schedules were announced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.

Bank Credit—Excess reserves of member banks declined by about 200 million dollars in the four weeks ended August 19. An increase of about 400 million dollars of currency in circulation during this period was paralleled by a corresponding amount of Reserve Bank purchases of Government securities. There was an increase of 300 million dollars in required reserves resulting from a growth in deposits at member banks. Excess reserves in New York and Chicago reached the lowest levels since the third quarter of 1937. Effective August 20 reserve requirements on demand deposits at central reserve city banks were reduced from 26 per cent to 24 per cent by action of the Board of Governors of the Federal Reserve System. This had the effect of converting over 400 million dollars from required to excess reserves.

Member banks in leading cities continued to increase their holdings of United States Government securities, particularly in the week ended August 19, in which delivery of the new 11½ months' ½ per cent certificates of indebtedness was made. Loans, which had declined during the second quarter of the year, have recently shown little change.

Adjusted demand deposits continued to increase at reporting banks, although purchases of Government securities, particularly the 2½ per cent Treasury bonds of 1962-67, by investors other than banks temporarily reduced demand deposits of individuals and added to United States Government deposits.

United States Government Security Prices—Prices of United States taxable bonds have shown little change during the past month. Taxable notes of 3 to 5-year maturity are currently yielding 1.26 per cent on the average as compared with 1.20 per cent in July. The rate of discount on new issues of Treasury bills has averaged 0.372 per cent for the past three weeks.

Federal Reserve Bank of Chicago

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DETROIT BRANCH

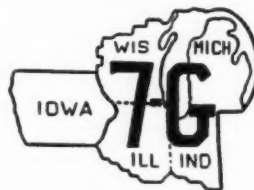
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SEVENTH FEDERAL



RESERVE DISTRICT



